

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

HART SCHAFFNER & MARX



Forty-eighth Annual Report
November 30, 1958



EXECUTIVE OFFICES

36 SOUTH FRANKLIN STREET

CHICAGO 6, ILLINOIS



BOARD OF DIRECTORS

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JOSEPH HALLE SCHAFFNER

JOHN D. GRAY

JOEL SPITZ

WALTER M. HEYMANN

CLAY E. STEELE

MEYER KESTNBAUM

HARRY L. WELLS



OFFICERS

MEYER KESTNBAUM	President
JOHN D. GRAY	Vice-President
BERNARD A. RITTERSPORN	Vice-President
MARIO CIUCCI	Vice-President
L. G. JOHNSON	2nd Vice-President
CLAY E. STEELE	Secretary and Treasurer
R. W. GARBE	Comptroller and Assistant Secretary
J. S. GORE	Assistant Treasurer



TRANSFER AGENTS

The First National Bank of Chicago

Chicago 90, Illinois

Bankers Trust Company

New York 15, N. Y.

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago

Chicago 90, Illinois

The New York Trust Company

New York 15, N. Y.

HART SCHAFFNER & MARX

CHICAGO

NEW YORK

March 2, 1959

To the Stockholders:

The annual report of the company for the fiscal year 1958 reflects appreciable progress in a number of areas in spite of the fact that sales for the year show a decline for the first time since 1954. Consolidated sales of the parent company and its retail affiliates amounted to \$76,148,541 as compared with \$80,812,061 for the previous year. The decline which occurred primarily in the manufacturing division is attributable to a general disposition on the part of retailers to buy cautiously during the year so as to reduce inventories.

At mid-year, the outlook for the second six months was uncertain, but improved earnings of the retail affiliates offset a decline in wholesale profits so that consolidated earnings for the year as a whole are close to those of the previous year. Profits aggregated \$1,826,864, or \$4.17 per share, as compared with \$1,894,684, or \$4.33 per share, in 1957. It is encouraging to note that the program of retail development which has been in effect for a number of years is producing definite returns.

In accordance with plans announced in the letter accompanying last year's report, no unusual retail expansion was undertaken during 1958. A number of stores were modernized and one new subsidiary was acquired. Investments in fixed assets in retail properties made during the year amounted to approximately \$375,000. The plans for the current year include additional stores for Wallach's, New York, and Silverwoods, Los Angeles, and for one or two other retail subsidiaries, but we anticipate that the expenditures for fixed assets will not exceed the annual charges to depreciation.

The greatly strengthened financial position of the company is evident in the year end balance sheet. This was accomplished mainly by a reduction in inventories and in part by the rearrangement of long-term indebtedness to which reference was made in the annual report of last year. On January 27, 1958, working capital was supplemented by the receipt of an additional \$1,500,000 from the Equitable Life Assurance Society of the United States as the final proceeds of the refinancing of funded debt arranged in 1957. Indebtedness to banks which stood at \$8,500,000 at the beginning of the year had been reduced to \$1,500,000 by November 30 and was fully paid off by

the end of December. With even a modest increase in sales, however, the company will be using its lines of bank credit during the year.

Prospects for the current year are encouraging even though wholesale shipments for the first six months are likely to be only slightly above those of last year. There is every indication that the process of inventory liquidation at the retail level has run its course and that orders placed with the manufacturing division for Fall delivery will bear a normal relationship to anticipated sales. The outlook for retail sales is favorable.

The men's apparel industry has shown a tendency to adhere to fixed price lines even in the face of rising costs with the result that retail establishments have in many instances downgraded their standards of quality. We believe that this is becoming increasingly apparent to the consumer and we see evidence of a greater demand for better grades of merchandise as well as a growing interest in the important fashion trends that are now developing. Your company has applied itself consistently to the strengthening of its merchandising program and we are encouraged to believe that this policy is contributing substantially to the long-range prospects of the company.

Respectfully submitted,

MEYER KESTNBAUM

President

HART SCHAFF AND SUBSIDIARIES

CONSOLIDATED
November 30,

Assets		1958	1957
Current Assets:			
Cash		\$ 3,368,346	\$ 3,504,324
Notes and accounts receivable:			
Trade, less allowances for doubtful balances and discounts		10,903,180	11,378,119
Other		331,655	507,543
Inventories:			
Factory inventories at cost or market, whichever is lower for current season's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market whichever is lower		22,202,696	25,031,619
Prepaid rentals, insurance, supplies, etc.		618,668	661,491
Total current assets		<u>37,424,545</u>	<u>41,083,096</u>
Long-Term Notes and Investments		<u>350,908</u>	<u>729,516</u>
Properties, at cost:			
Building, shop equipment, furniture and fixtures		12,625,564	12,697,041
Less—Accumulated depreciation		<u>7,350,172</u>	<u>6,963,710</u>
		5,275,392	5,733,331
Leasehold and leasehold improvements, less amortization		5,747,543	6,098,314
Land		<u>100,000</u>	<u>100,000</u>
		<u>11,122,935</u>	<u>11,931,645</u>
Goodwill, Trade Names and Trademarks		<u>1</u>	<u>1</u>
		<u>\$48,898,389</u>	<u>\$53,744,258</u>

TURNER & MARX

PROPERTY COMPANIES

BALANCE SHEET

1958 and 1957

Liabilities

	1958	1957
Current Liabilities:		
Notes payable	\$ 1,500,000	\$ 8,500,000
Current maturity of funded debt	500,000	500,000
Accounts payable:		
Trade	3,505,196	3,337,130
Other	1,268,899	1,422,380
Accrued salaries, wages and rents	1,007,426	1,000,879
Accrued taxes (other than taxes on income)	501,943	487,832
Federal and state taxes on income	1,002,279	1,009,115
Total current liabilities	<u>9,285,743</u>	<u>16,257,336</u>
Funded Debt:		
4½% note payable, due June 1, 1972	7,555,000	6,555,000
Less—Current maturity transferred to current liabilities	<u>500,000</u>	<u>500,000</u>
	7,055,000	6,055,000
Advance by lessor toward leasehold improvements by subsidiary company payable monthly over lease ex- piring in 1977	<u>197,679</u>	<u>205,088</u>
	<u>7,252,679</u>	<u>6,260,088</u>
Minority Stockholders' Interest	<u>92,568</u>	<u>86,103</u>
Stockholders' Equity:		
Common stock—Par value \$10.00 per share:		
Authorized—750,000		
Issued—468,750	4,687,500	4,687,500
Capital surplus	3,651,499	3,651,499
Earnings retained for use in the business:		
Appropriated for contingencies	700,000	700,000
Unappropriated, per accompanying statement	23,705,009	22,578,341
	<u>32,744,008</u>	<u>31,617,340</u>
 Deduct—Treasury stock—31,127½ shares	 476,609	 476,609
	<u>32,267,399</u>	<u>31,140,731</u>
	<u>\$48,898,389</u>	<u>\$53,744,258</u>

See notes to financial statements

HART SCHAFFNER & MARX
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME
AND UNAPPROPRIATED RETAINED EARNINGS

For the fiscal years ended November 30, 1958 and 1957

	<u>1958</u>	<u>1957</u>
Net sales and operating revenues	\$76,148,541	\$80,812,061
Dividends from sundry investments, interest and other income	322,267	204,277
Total	<u>76,470,808</u>	<u>81,016,338</u>
Less:		
Cost of goods sold and occupancy expenses (exclusive of depreciation and amortization)	53,708,843	57,510,202
Depreciation and amortization	1,182,577	1,122,377
Selling, general and administrative expenses	17,796,845	18,311,922
Interest paid	573,748	662,412
Minority interest in net profit of subsidiaries	6,465	12,355
	<u>73,268,478</u>	<u>77,619,268</u>
Income before deducting provision for taxes	<u>3,202,330</u>	<u>3,397,070</u>
Provision for taxes on income:		
Federal income taxes	1,312,005	1,452,268
State income taxes	63,461	50,118
	<u>1,375,466</u>	<u>1,502,386</u>
Net income for the year	1,826,864	1,894,684
Earnings retained for use in the business at beginning of year	22,578,341	21,383,853
	<u>24,405,205</u>	<u>23,278,537</u>
Dividends paid in cash—\$1.60 per share	<u>700,196</u>	<u>700,196</u>
Earnings retained for use in the business at end of year	<u>\$23,705,009</u>	<u>\$22,578,341</u>

See notes to financial statements

REPORT OF ACCOUNTANTS

To the Stockholders and Board of Directors of
Hart Schaffner & Marx:

In our opinion, the accompanying financial statements present fairly the consolidated position of Hart Schaffner & Marx and subsidiary companies at November 30, 1958, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of the statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Chicago, Illinois
January 29, 1959

NOTES TO FINANCIAL STATEMENTS

Under the terms of the agreement relating to the 4½% note payable, due June 1, 1972, \$20,912,895 of the total consolidated unappropriated retained earnings at November 30, 1958 is restricted as to the payment of cash dividends.

As at November 30, 1958 the company and its subsidiaries occupied properties under seventy-eight lease agreements with terms expiring from one to thirty-nine years after that date, and requiring a minimum rental payment of approximately \$2,112,000 for 1959. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

Under a restricted stock option plan approved by the Board of Directors all of the company's shares held in treasury are reserved for options to be granted to officers and key employees. On February 21, 1956 options were granted to officers and employees for the purchase of 24,550 shares at the quoted market price on that date. No options have been exercised; however, options for 2,525 shares have expired leaving a balance of 22,025 shares under option at November 30, 1958.

TEN YEAR

	1958	1957	1956	1955
Net Sales and Operating Revenue	\$76,148,541	\$80,812,061	\$79,531,828	\$74,771,105
Federal Income Taxes	1,312,005	1,452,268	1,800,597	2,014,017
Per Share	3.00	3.32	4.11	4.60
Net Earnings After Federal Income Taxes	1,826,864	1,894,684	2,457,831	1,736,352
Per Share	4.17	4.33	5.62	3.97
Dividends Paid in Cash	700,196	700,196	665,093	560,159
Per Share	1.60	1.60	1.60	1.28
Excess of Earnings Over Cash Dividends	1,126,668	1,194,488	1,792,738	1,176,193
Property Additions*	406,648	1,787,110	1,836,075	997,072
Current Assets	37,424,545	41,083,096	39,653,964	35,655,043
Current Liabilities	9,285,743	16,257,336	16,366,898	12,673,632
Net Working Capital	28,138,802**	24,825,760**	23,287,066	22,981,411
Fixed Assets—Less Depreciation and Amortization	11,122,935	11,931,645	11,903,057	11,232,581
Net Worth	32,267,399	31,140,731	29,927,540	28,129,689
Per Share	73.73	71.16	68.39	64.28

The per share figures for Federal Income Taxes, Net Earnings, Dividends, and Net Worth for years prior to 1956 have been adjusted for the 25% stock dividend in 1956.

*Retail store leasehold improvements and equipment—Real Estate—Factory Building and manufacturing equipment, exclusive of properties acquired through purchase of subsidiary companies.

SUMMARY

1954	1953	1952	1951	1950	1949
\$66,575,717	\$68,866,677	\$62,263,140	\$61,672,439	\$59,257,388	\$57,773,088
1,431,657 3.27	1,580,005 3.61	807,453 1.85	1,721,211 3.93	1,217,049 2.78	975,298 2.23
1,228,566 2.81	1,425,196 3.26	1,035,420 2.37	1,518,752 3.47	1,647,733 3.77	1,638,746 3.74
560,159 1.28	560,159 1.28	560,159 1.28	567,412 1.28	780,192 1.76	851,118 1.92
668,407	865,037	475,261	951,340	867,541	787,628
939,179	245,118	511,656	1,290,444	2,098,111	2,419,324
32,650,319 10,127,373	34,681,643 14,676,141	31,226,448 12,129,777	31,051,499 12,571,725	29,724,708 11,496,923	24,786,344 5,852,690
22,522,946**	20,005,502	19,096,671	18,479,774	18,227,785	18,933,654**
11,307,028	11,336,157	12,038,940	11,902,302	11,357,234	10,032,562
26,952,079 61.59	26,280,108 60.05	25,415,675 58.08	24,387,368 55.73	23,509,594 53.72	22,620,580 51.69

**Includes new working capital provided by long term note and debenture financing as follows:

1958	\$1,500,000
1957	1,250,000
1954	2,530,000
1949	1,915,000

